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February 25, 2015

Senate Economic Development, Housing & General Affairs Committee
Sen. Kevin Mullin, Chairman
Statehouse
115 State Street
Montpelier, VT 05602

Dear Sen. Mullin and Members of the Committee,

Thank you for your continued work on reasonable regulation of the rent-to-own industry. As you know, Vermont Legal Aid and many others support meaningful limits on total charges over cost and disclosure of terms in the industry. We support S.37.

The industry, through witness testimony, has for the most part conceded the issue of disclosure. The testimony and evidence presented to you indicates either no opposition or that industry custom is to disclose. Therefore codifying the language requiring information regarding total costs, effective annual percentage rates (APR), and the condition of the product (new/used) and/or how many times the item has been rented is uncontroversial and a common sense reform.

We also support your efforts to limit the amount the industry can charge for consumer goods. While Vermont's current maximum APR is 24% on installment loan contracts, which we believe to be a reasonable maximum standard, we would support a limit of 36% as the bill is currently constructed in order to ensure consumers have a reasonable limit on what they may be charged.

We also support language that would establish a relationship between the cash price of an item and its wholesale cost to avoid arbitrary and inflated mark-ups that could render these reforms useless. We would be happy to provide language to the committee. In addition, we believe a limitation on the total of payments is necessary and appropriate to ensure that the industry does not simply extend the term of contracts in order to collect larger amounts and delay ownership. Several other states have established both cash price to wholesale limitations and limits on total of payments.

Finally, while the industry has testified that its practices are consumer-friendly, we know from consumer testimony and others who have worked in the industry that repossession and collections are a substantial part of the business model. We also know that industry practices have been flagged by the FTC and other State Attorneys General – both for collection practices and for installing malicious spyware on rented computers to consumers. We know this is an issue affecting the entire industry. Your committee may want to look into limitations akin to those established in Washington State (and others) as a result of litigation around the industry’s practices.

Your committee’s concerns about establishing minimum standards in the rent-to-own industry – especially if new competitors move to the area and/or if a company is bought out are well founded. In 2014, Aaron’s, for example, was the target of a \$2.3 billion take-over bid. We also know that regional chains like Buddy’s are making in-roads into this growing industry.

We believe these modest additions would strengthen the bill making Vermont a leader in consumer protection in the rent to own industry and ensure the industry cannot exploit loopholes in the proposed legislation.

This common-sense legislation has broad support from more than 25 organizations including mainstream consumer groups like AARP, the Vermont-NEA, housing organizations, low-income advocates and many others. We urge you to move this important legislation.

Thank you for your consideration.

Sincerely,



Christopher J. Curtis
Staff Attorney
Vermont Legal Aid, Inc.